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Review of the implementation of the recommendations and decisions adopted by the General Assembly at its tenth special session: Advisory Board on Disarmament Matters; United Nations Institute for Disarmament Research

Programme budget for the biennium 2004-2005

Request for a subvention to the United Nations Institute for Disarmament Research resulting from the recommendations of the Board of Trustees of the Institute on the work programme of the Institute for 2005

Note by the Secretary-General

Addendum

Summary

By its resolution 58/272 of 23 December 2003, under part III, the General Assembly approved a subvention of $227,600 for the United Nations Institute for Disarmament Research from the regular budget of the United Nations. At the same time the Secretary-General was requested to report, at the main part of the fifty-ninth session of the General Assembly, on the continuing need for a subvention to the Institute, taking into account previous reports and any relevant decisions on the question of subventions.

The General Assembly's approach of granting approval for funding from the regular budget to autonomous research and regional institutes has been decided on a case-by-case basis, taking into account such special circumstances and considerations existing in each case.

In the case of UNIDIR, over recent years, the level of the subvention has been well below one half of voluntary income as reflected in paragraph 2 of article VII of the statute of UNIDIR. The subvention is necessary to sustain the administrative

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structure of the Institute and is vital to ensuring the independence and continuity of the Institute. The ratio of the subvention to the annual budget of UNIDIR is such that it cannot be used or viewed as a means to prop up a failing organization but rather as being necessary to sustain the Institute's administrative structure, which is vital for ensuring the independent and continuous nature of its normal functioning. The General Assembly may wish to take note of the present report.

I. Introduction

1. Under section IV of its resolution 44/201 B of 21 December 1989, the General Assembly requested the Secretary-General, without prejudice to the provisions of the statute of the United Nations Institute for Disarmament Research (UNIDIR), to, inter alia, report annually to the General Assembly on the situation of the Institute.

2. Accordingly, having considered the annual note by the Secretary-General on the request for a subvention to UNIDIR resulting from the recommendations of the Board of Trustees of the Institute on the work programme of the Institute for 2004 (A/C.5/58/3) and the related report of the Advisory Committee on Administrative and Budgetary Questions (A/58/7/Add.14), the General Assembly, in part III of its resolution 58/272 of 23 December 2003:

(a) Approved the request for a subvention by the General Assembly of $227,600 United States dollars for UNIDIR for 2004 from the approved regular budget of the United Nations, on the understanding that no additional appropriation would be required under section 4, Disarmament, of the programme budget for the biennium 2004-2005;

(b) Requested the Secretary-General to report to the General Assembly at the main part of its fifty-ninth session on the continuing need for a subvention to the Institute, taking into account previous reports and any relevant decisions on the question of subventions.

3. The present report is submitted in response to that request.

II. Background

4. The United Nations Institute for Disarmament Research (UNIDIR) was established in October 1980 pursuant to General Assembly resolution 34/83 M of 11 December 1979 for the purpose of undertaking independent research on issues of disarmament and international security, as an interim arrangement within the framework of the United Nations Institute for Training and Research (UNITAR).

5. General Assembly resolution 37/99 K of 13 December 1982 on institutional arrangements relating to the process of disarmament provided, inter alia, that the Institute should function as an autonomous institution, working in close relationship with the Department for Disarmament Affairs, and that its activities should be funded by voluntary contributions from States and public and private organizations. In the same resolution, the Assembly requested the Secretary-General to give the Institute administrative and other support and decided that the Advisory Board on Disarmament Studies should function as the Board of Trustees of UNIDIR and, in that capacity, should draft the statute of the Institute to be submitted to the Assembly at its thirty-eighth session.

6. In accordance with that resolution, the draft statute was prepared by the Board and transmitted to the General Assembly in annex IV to the report of the Secretary-General on the work of the Board to the Assembly at its thirty-eighth session (A/38/467). In that report, the Board also expressed concern about the financial situation of the Institute, noted that the voluntary contributions were not adequate to cover even the then modest activity of the Institute and agreed that, to the extent

possible, the funds needed for the employment of a permanent staff should be absorbed by the regular budget of the United Nations.

7. At its thirty-eighth session, the General Assembly decided not to take action on the draft statute of UNIDIR but to return it to the Board of Trustees for further consideration at its thirty-ninth session (see decision 38/447 of 20 December 1983).

8. A draft statute was submitted to the thirty-ninth session of the General Assembly in the report of the Secretary-General on the activities of the Advisory Board on Disarmament Studies (A/39/549, annex II). In his report (A/C.5/39/33), the Secretary-General estimated that the adoption of the draft statute of UNIDIR would result in the additional appropriation of $146,500 as a contribution to the financing of the operations of the Institute in 1985. In its report (A/39/7/Add.8), the Advisory Committee on Administrative and Budgetary Questions, inter alia, recommended that UNIDIR be provided a subvention for 1985 in the amount of $146,500. By its resolution 38/148 H of 17 December 1984, the General Assembly approved the statute of UNIDIR.

III. Financial and administrative provisions in the UNIDIR statute

9. The statute of UNIDIR includes the following financial and administrative arrangements:

Article VII. Finance

1. Voluntary contributions from States and public and private organizations shall form the principal source of financing of the Institute.

2. A subvention towards meeting the costs of the Director and the staff of the Institute may be provided from the regular budget of the United Nations. The actual amount of any subvention shall be determined in accordance with article VIII of this statute; it may be less than, but shall not exceed, an amount equivalent to one half of the assured income of the institute from voluntary sources in respect of the year for which a subvention is being requested. The assured income shall be that which has already been received or which has been pledged in writing by the time the level of any subvention is being considered.

...

Article VIII. Budget

1. The proposed annual budget of the Institute shall be based on the proposed draft work programme of the Institute. It shall be prepared by the Director in consultation with the Department for Disarmament Affairs and the Office of Financial Services of the Secretariat.

2. The proposed annual budget, together with the comments and recommendations thereon of the Advisory Committee on Administrative and Budgetary Questions, shall be submitted to the Board for action in accordance with article III, paragraphs 2 (b) and (c) of this statute.

3. A recommendation by the Board, under article III, paragraph 2 (c), for a subvention from the regular budget of the United Nations shall be transmitted by the Secretary-General to the General Assembly for approval.

Article IX. Administrative and other support

The Secretary-General of the United Nations shall provide the Institute with appropriate administrative and other support in accordance with the Financial Regulations and Rules of the United Nations. The Institute shall reimburse the United Nations for the costs of such support, as determined by the Controller of the United Nations after consultation with the Director.

IV. Subvention from the United Nations regular budget

10. In accordance with the statute of UNIDIR, in a given year, the subvention shall not exceed an amount equivalent to one half of the assured income of the Institute from voluntary sources. The intended effect of this provision is to ensure that the Institute cannot be funded from the subvention alone.

11. Accordingly, financing of UNIDIR is from three sources: voluntary contributions from Member States, funds from foundations in connection with research grants and a subvention from the United Nations. The first two sources of funding are primarily project-specific. Owing to the "earmarked" nature of such funding, UNIDIR has limited flexibility in the use of these funds for its core staff and associated administrative and operating requirements. While efforts continue to increase the portion for administrative costs in such "earmarked" contributions, un-earmarked resources remain limited.

12. The subvention provided by the United Nations, which is used to cover the costs of the core staff, including a Director, and some administrative expenses, is important not only economically, but also to ensure the continued autonomy and independence of the Institute. The subvention also assists the Director in raising voluntary funds, in line with the founding recommendations contained in the report of the Secretary-General (A/34/589) and welcomed by the General Assembly in its resolution 34/83 M. The maintenance of the impartiality and independence of the Institute is essential in the field of disarmament and international security where it is vital that the work of the Institute is not compromised. Any imputation of partiality could lead to difficulties in attracting further voluntary contributions.

13. Over the course of the past 10 years, the ratio of the subvention relative to other sources of income of the Institute has not exceeded 34 per cent, and even less in recent years. The subvention has been well below one-half of the voluntary income of the Institute and has thus clearly complied with the letter and spirit of the statute. The subvention has not been used to bail out a failing institute, but has been rather a vital enabling factor in UNIDIR's funding strategy, contributing to its successful funding over the past several years. Information on subventions provided by the United Nations for the period from 1994 to 2004 is contained in annex I to the present report.

14. In paragraph 34 of its report on the in-depth evaluation of the disarmament programme (E/AC.51/1999/2), the Office of Internal Oversight Services (OIOS) indicated that:

"The regular budget subvention had been maintained at $220,000 yearly since 1990, and was reduced to $213,000 in 1996, owing to system-wide reductions. The Board of Trustees has requested a restoration of the $220,000 subvention and that it be adjusted for inflation. The subvention originally covered the cost of three posts and currently covers only two. A number of long-term core staff have been paid over the years by one-month to one-year contracts, with no provision for medical insurance or pension contributions. In the present funding situation, if staff were placed on regular United Nations contracts, not all core staff could be retained and UNIDIR would not function."

15. In its resolution 55/35 A of 20 November 2000, the General Assembly, while taking note of the report of OIOS on the in-depth evaluation of the disarmament programme, in which the Office indicated the erosion of the value of the United Nations subvention to the Institute in real terms and recommended the development of proposals for alleviating difficulties regarding the current financial and organizational arrangements, recommended that the Secretary-General seek ways to increase the funding of the Institute within existing resources. In this regard, as of the biennium 2002-2003, the subvention was cost adjusted.

V. Financial situation of the United Nations Institute for Disarmament Research

16. From its inception in 1980, the financial situation of the Institute has reflected the ways in which the successive Directors have been able to raise funds. The continuing operation of the Institute over the years has been chiefly due to: (a) maintenance of the Institute's administrative structure at a minimum, with only four core staff, with heavy reliance on project-related short-term and personal service contracts, hiring the services of, or developing cooperation with, individual experts or research organizations; and (b) subvention from the United Nations regular budget to support the minimal administrative structure. Information on the income and expenditure of the Institute for the period from 1994 to 2004 is provided in annex II to the present report.

17. In addition to the subvention provided to the Institute, the United Nations also provides other support related to the activities of the Advisory Board on Disarmament Matters, acting also as the Board of Trustees of UNIDIR, as well as administrative, financial, personnel, legal and other services provided by the United Nations Office at Geneva. These services are partially reimbursed by the Institute through programme support costs, which charged to all voluntary contributions to UNIDIR at the rate of 5 per cent.

VI. Previous reports and relevant decisions on the question of subventions

18. In addition to reporting on the continuing need for a subvention to UNIDIR, the Secretary-General was also requested, in paragraph 2, part III, of General Assembly resolution 58/272, to take into account previous reports and any relevant decisions on the question of subventions.

19. In 1987, the Joint Inspection Unit prepared a report on autonomous research institutions of the United Nations (A/42/540). The report was written in response to a suggestion from the United Nations for an independent inquiry into the administrative and financial arrangements for eight autonomous research institutions that have formal and functional links with the United Nations: the United Nations Institute for Training and Research (UNITAR); the Latin American Demographic Centre (CELADE); the Latin American Institute for Economic and Social Planning (ILPES); UNIDIR; the United Nations African Institute for the Prevention of Crime and the Treatment of Offenders (UNAFRI); the African Institute for Economic Development and Planning (IDEP); the International Research and Training Institute for the Advancement of Women (INSTRAW); and the United Nations Research Institute for Social Development (UNRISD).

20. The report included a brief presentation of the establishment, mandates and modes of operations of these institutes. Their functions, types of programme and coordination issues were also discussed. The thrust of the report, however, dealt with the budgetary and financial arrangements and with the problems that some institutes had been experiencing in this respect. The analysis showed that although the institutes perform essential functions for the international community, some of them have suffered from deepening financial problems over the years.

21. The report raised concerns about the status, functions and financial viability of some of the research institutes and recognized that there was a need for improved financial management. In order to ensure financial stability, the report recommended that the institutes that had not yet done so should set a reserve fund, equivalent to approximately 2.5 years of expenditure, to cushion against irregular contribution patterns by donors. As a general rule, the report recommended that autonomous research institutes should be funded through voluntary contributions, while the regional institutes should be funded through regular assessed contributions of member Governments. Except for the regional institutions, the United Nations pledging conference should become the central funding mechanism for autonomous research institutions. The report stated that funding from the United Nations Development Programme (UNDP) should be limited to specific research and training projects and should be time-limited. Support from the United Nations regular budget, where it existed, should be reconsidered and allowed only in exceptional cases and for limited periods.

22. In the same report it was recommended that "because of its continued financial difficulties and the consequent impairment of its role and its capability to produce more and better results, UNIDIR should cease to operate as an autonomous research institute and its functions should be given to the Department for Disarmament Affairs of the Secretariat.

23. In his comments on the report (A/43/397), the Secretary-General stated, inter alia, that:

> (a) Experience had shown that the maintenance of larger reserves had sometimes given rise to the mistaken view that the institutes involved were cash rich and therefore not in immediate need of annual pledges to fund their budgets. As a result, financial support might not have been forthcoming at a level required to maintain the reserve fully intact;

(b) The question of a distinction between regional and global institutions regarding the funding of their core budget needed to be considered with greater caution. It would have to be understood that the "assessed contributions" referred to in the related recommendation of the Joint Inspection Unit would be contributions levied against those countries that participated in activities of those institutions and, thus, such contributions would be separate from the assessments under the regular budget of the United Nations.

24. By its decision 43/453 of 21 December 1988, the General Assembly took note of the report of the Joint Inspection Unit on autonomous research institutes of the United Nations and the related comments of the Secretary-General.

25. Since 1995, following the report of the Secretary-General on the funding of regional institutes from the regular budget of the United Nations (A/C.5/50/33) and the related report of the Advisory Committee (A/50/7/Add.12), without an explicit final decision of the General Assembly in this regard, the question of the regular budget support for autonomous research and regional institutions/centres has continued to be decided on a case-by-case basis, taking into account such special circumstances and considerations, existing in each case. Currently, pursuant to the specific decisions of the General Assembly, regular budget subventions have been made, inter alia, to the United Nations African Institute for the Prevention of Crime and the Treatment of Offenders, the African Institute for Economic Development and Planning and the Latin American Institute for Economic and Social Planning.

VII. Conclusion and recommendation

26. **Although the common trend appears to be a decline in voluntary funding for the autonomous research and regional institutes over the years, the circumstances have been different in each case and the General Assembly's approach of granting approval for funding from the regular budget has been agreed upon on a case-by-case basis.**

27. **In the case of UNIDIR, the subvention is not used, nor should it be considered, as a means to save a failing institute, but as necessary to sustain its administrative structure, which is vital for ensuring the independent and continuous nature of the Institute's normal functioning. In effect, over the past 10 years, the ratio of the subvention relative to other income of UNIDIR has been well below one half of the voluntary income to UNIDIR and has been in compliance with the letter and spirit of the statute.**

28. **It is recommended that the General Assembly take note of the present report.**

Annex I

Subvention and voluntary contributions to the United Nations Institute for Disarmament Research

(United States dollars)

Year	*Contributions*	*Subvention*	*Subvention to contributions (Percentage)*
1994	724 300	220 000	30
1995	640 200	220 000	34
1996	967 900	213 000	22
1997	901 700	213 000	24
1998	1 248 400	213 000	17
1999	755 900	213 000	28
2000	762 500	213 000	28
2001	880 100	213 000	24
2002	1 426 600	219 500	15
2003	751 500	227 600	30
2004*	1 466 200	227 600	16

* Estimate.

Annex II

United Nations Institute for Disarmament Research: statement of income and expenditure for the period from 1994-2004

(Thousands of United States dollars)

Items	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004**
A. Funds available at the beginning of the year	343.2	450.6	99.9	247.0	289.6	741.3	840.8	850.6	1 011.4	1 441.6	1 108.0
B. Income											
Voluntary contributions and public donations	724.3	640.2	967.9	901.7	1 248.4	755.9	762.5	880.1	1 426.6	751.5	1 730.9
Subvention from the United Nations regular budget	220.0	220.0	213.0	213.0	213.0	213.0	213.0	213.0	219.5	227.6	227.6
Other interorganizational contributions			0.4	1.0	11.2	2.2		58.0	1.1	6.7	24.0
Interest income	27.3	27.5	7.9	27.3	42.6	39.6	60.1	50.9	55.7	40.0	50.0
Miscellaneous income	66.1	(43.0)	5.8	7.0	6.6		25.4	1.7	1.4	14.6	
Total income	**1 037.7**	**844.7**	**1 195.0**	**1 150.0**	**1 521.8**	**1 010.7**	**1 061.0**	**1 203.7**	**1 704.3**	**1 040.4**	**2 032.5**
C. Prior period adjustments	(40.0)	135.4	31.0		10.9	(8.8)	1.6		6.3		
D. Prior period obligations							32.4		47.5		
E. Total funds available	1 340.9	1 430.7	1 325.9	1 397.0	1 822.3	1 743.2	1 935.8	2 054.3	2 769.5	2 482.0	3 140.5
F. Expenditure	890.3	1 330.8	1 078.9	1 107.4	1 081.0	902.4	1 085.2	1 042.9	1 327.9	1 374.0	1 977.2

* Estimates.